

## REMARKS

In response to the Office Action mailed January 20, 2004, the Applicants submit the below remarks and respectfully request reconsideration of the application, as amended, in light of these remarks.

In the above referenced Office Action, the Examiner rejected claims 1-3, 8-10 and 12 under 35 U.S.C. 103(a) as being unpatentable over U.S. Patent 5,794,221 (hereinafter Egendorf) in view of U.S. Patent 6,016,484 (hereinafter Williams). Claim 4 was rejected under 35 U.S.C. 103(a) as being unpatentable over Egendorf in view of Williams and further in view of U.S. Patent 6,049,785 (hereinafter Gifford). Claims 5-6 and 11 were rejected under 35 U.S.C. 103(a) as being unpatentable over Egendorf in view of Williams and further in view of U.S. Patent 5,978,780 (hereinafter Watson). Claim 7 was rejected under 35 U.S.C. 103(a) as being unpatentable over Egendorf in view of Williams and further in view of a press release entitled "eBay's Deal with Wells Fargo Allows Sellers to Accept Credit" authored by J. Tessler (hereinafter Tessler). Claims 13-24 are the system form of claims 1-12 respectively and are rejected in a like manner. (In claims 14-24, the phrase user is seen as equivalent to user and second participant is seen as equivalent to further user).

To establish a prima facie case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. **Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations.** The teaching or suggestion

to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on applicant's disclosure. *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).

As argued below, the prior art references simply do not teach or suggest all the claim limitations of the independent claims of the present application.

The Examiner admits that Egendorf fails to disclose that the payment instrument selected by the second participant must be acceptable to the first participant (Office Action of January 2004, page 4). In addition, contrary to the presently claimed invention, Egendorf does not teach or suggest performing a risk analysis that uses at least feedback information, pertaining to the second participant and provided by other users of the network-based transaction facility, to determine whether the second participant is qualified to use the selected payment instruments. The Examiner interprets “feedback information” as credit reports ((Office Action of January 2004, page 4). However, credit reports are provided by third parties or external entities such as credit bureaus, and not the users of the network-based transaction facility, as claimed in the present invention. Specifically, claims 1 and 25 includes the following language that distinguishes credit reports from peer feedback:

...performing a risk analysis pertaining to an online payment transaction between the first participant and the second participant using at least feedback information, pertaining to the second participant and provided by users of the network-based transaction facility, to determine whether the second participant is qualified to use a payment instrument selected by the second participant from the at least one payment instrument acceptable to the first participant... (emphasis added)

Similar language is also included in claim 13:

... to determine whether the further user is qualified to use the preferred payment instrument based on a risk analysis pertaining to an online payment

transaction between the user and the further user, ... wherein the risk analysis is performed using feedback information pertaining to the further user and provided by participants of the network-based transaction facility. (emphasis added)

An example of this feature the present invention is discussed in the present Specification on page 23, lines 6-13, as follows:

... the payment processing system 710 receives information from the transaction facility, stores some or all of this information for historical purposes in a local database (i.e., a payment transaction data store 730), and determines what information to pass to the risk management system 720. The risk management system 720 utilizes this information to determine a risk level involved in the payment transaction. (page 22, lines 6-11)

... the transaction facility 130 may pass to the payment processing system 710 information on how long both the buyer and the seller have been registered with the transaction facility 130, their historical business activity within the transaction facility 130 (e.g., number of prior transactions, gross sales, average amount of a sale), user classification schemes and peer rating schemes used in the transaction facility 130 (e.g. user feedback ratings), third party trust ratings carried out by the transaction facility 130 (e.g. credit reports), etc. (emphasis added)

Thus, Egendorf does not teach or suggest at least performing a risk analysis that utilizes feedback information pertaining to a specific user of a network-based transaction facility and provided by other users of the network-based transaction facility, as does the presently claimed invention.

In Williams, the transaction is conducted directly between the merchant and the customer and not via an intermediary system that facilitates payment transactions between multiple participants in a transaction facility. Furthermore, Williams does not teach or suggest performing risk analysis that uses feedback information, pertaining to the second participant and provided by other users of the network-based transaction facility, to determine whether the second participant is qualified to use the selected payment instruments. That is, Williams lacks at least the same features of the presently claimed invention that are missing from Egendorf.

Further, each of the additional references cited by the Examiner that include Gifford, Watson and Tessler does not teach or suggest at least the features of the presently claimed invention that are lacking in both Egendorf and Williams.

Accordingly, Applicants respectfully submit that Applicants' invention as claimed in independent claims 1, 13 and 25 and corresponding dependent claims 1-12 and 14-24 is not rendered obvious by the above references, and respectfully request the withdrawal of the rejection under 35 U.S.C. § 103(a). Applicants furthermore submit that all pending claims are in condition for allowance, which is earnestly solicited.

If the Examiner determines that the prompt allowance of these claims could be facilitated by a telephone conference, the Examiner is invited to contact Marina Portnova at (408) 720-8300.

**Deposit Account Authorization**

Authorization is hereby given to charge our Deposit Account No. 02-2666 for any charges that may be due. Furthermore, if an extension is required, then Applicant hereby requests such extension.

Respectfully submitted,

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